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December 18, 2007

AGENDA ITEM 4b

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Update on Implementation Approach for Health Benefits Single Administrator
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

As part of the five year plan, the Health Benefits Branch (HBB) has launched an assessment of the feasibility of adopting a Single Third-Party Administrator (STPA) approach for the CalPERS Health Benefits Program. The key duties of a Single Administrator may include; developing, contracting and/or managing a variety of provider networks and providing claims administration. It could also include operating or managing health, disease and medical management programs and/or prescription drug management. Potential benefits of an STPA approach for CalPERS may include; a single risk pool for pricing/rating purposes, a single source of consistent data across all plan options, greater flexibility in design of provider network structures, improved transparency of health costs, enhanced ability to influence the health care market, and the potential to better moderate premium costs in the long-term.

Background

As discussed at the October 2007 Health Benefits Committee (HBC) meeting, the HBB issued a Request for Information (RFI) for health design models under a STPA on October 23, 2007. The RFI was sent to a total of 18 organizations, composed of all of the current CalPERS health plans, other health plans and third-party administrators. The focus of the RFI was to solicit ideas on alternative approaches and models for structuring an STPA arrangement and to determine high-level capabilities and interest from potential bidders in the marketplace.

RFI responses were received on November 13, 2007. Staff received responses from 10 different entities. The entities are: Aetna, Blue Cross, Blue Shield, Buck Consultants, Cigna, George Michael & Associates, Healthnet, Humana, Kaiser, and United Healthcare. Staff have reviewed and analyzed the responses. Each of the Health Benefits Board (HBB) pool consultants: Mercer, Buck and Milliman have reviewed and commented on the responses.

Staff is working with Mercer to develop a final report that:

- assesses the strengths and weaknesses of the various approaches suggested in the responses;
- identifies key issues and considerations; and,
- develops recommended next steps for the STPA initiative.

A full update on this initiative will be provided at the February 2008 HBC meeting.

V. STRATEGIC PLAN:

This request relates to Goal X: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

This is an information item only.

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